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West Virginia Students Flunk Financial Literacy

Belle . . . Survey results released today at a news conference in Washington, DC show high school seniors in West Virginia know little about credit cards, retirement funds, insurance and other personal finance basics, said Glen B. Gainer, West Virginia State Auditor and President of West Virginia's Jump\$tart Coalition for Personal Financial Literacy.

The results were part of Jump\$tart's nationwide survey to measure 12th graders' level of knowledge of personal finance basics and compared the results with those from similar surveys conducted in 2000 and in 1997 by the coalition. The researcher for all three studies was Lewis Mandell, Ph.D., professor of finance and managerial economics at the University at Buffalo School of Management. Unlike the first two, the 2002 survey included data for eight states in addition to the national findings.

On average, participants in West Virginia answered 50.6% of the questions correctly – a failing grade based upon the typical grade scale used by schools (90% - 100% = A, 80% - 89% = B, etc.). Nationally, the average score in the 2002 survey was 50.2%, down from 51.9% in 2000 and 57.3% in 1997.

"These low scores are not unique to West Virginia. We see a total lack of financial literacy throughout all the United States" said Auditor Gainer. "Many of our children lack the basic knowledge of how to balance a check book, or understand the problems associated with credit card debt," added Gainer.

Attorney General Darrell McGraw further explained that "Personal Financial Literacy is a life skill every West Virginian needs to master. We owe it to our children to provide them with the tools they will need to survive in the 21st Century."

"The situation quantified by Jump\$tart's surveys has caught the attention of Congress, regulators and others," said Dara Duguay, the nation coalition's executive director. In February, the Senate Banking Committee held hearings on adult and youth financial literacy. Federal Reserve Board Chairman Alan Greenspan, U. S. Treasury Secretary Paul O'Neill and U. S. Securities and Exchange Commission Chairman Harvey Pitt were among the witnesses.

Earlier this year, President Bush signed the "No Child Left Behind Act of 2001" which makes \$385 million in funds available for local educational agencies to use for 27 categories of "innovative assistance programs." The eleventh category includes "activities to promote consumer, economic and personal finance education." These types of programs most likely wouldn't have qualified without Jump\$tart's efforts to raise further awareness about young adults' inability to handle their finances once they leave high school, said Duguay.

Our hope is that the latest survey results will compel superintendents in states like West Virginia to place a high priority on funding innovative personal finance education programs when applying for the money," said Duguay.

Support for innovative education is welcome news to Mandell, who believes a major factor affecting the Jump\$tart survey

results is how the information is taught. More than one quarter (28.8%) of this year's survey respondents had participated in a stock market game, where students "invest" hypothetical money in simulated Wall Street trading. Students who participated in a high school stock market game scored better on the survey (52.4%) than did students overall or those who completed other courses in money management or economics.

Other national findings from the survey:

The average score for Caucasian students was 53.7%, compared with 50.6% for Asian Americans, 44.8% for Hispanics, 42.1% for African Americans and 45.5% for Native Americans. Males averaged slightly higher scores (50.7%) than females (49.7%). Students from the Mid West scored higher (53.5%) than students from the North East (50.5%), the West (48.8%) and the South (48.6%).

The percentage of students who do not use a credit card declined (67.8% versus 69.1% in 2000, 70.8% in 1997). More students have their own card (12.1%, versus 9.2% in 2000, 7.7% in 1997). In addition, 15.4% use their parents (versus 18.3% in 2000, 17.2% in 1997) and 2.8% use both their own and their parents (versus 2.8% in 2000, 4% in 1997). Over one third (35.9%) of the 2002 students have an ATM card, compared with 31% in 2000 and 31.5% in 1997.

Nearly 75% of the students have a savings and/or checking account with a bank. The 25.7% of the students without any bank account scored lower (46.1%) than those who have a savings account (51.7%), a checking account (50.5%) and both savings and checking accounts (50.2%).

Slightly more than a third (35.1%) of this year's students knew that retirement income paid by a company is called a pension, down from 46% in 2000 and 63.5% in 1997. In addition, 33.3% thought such income was Social Security, up from 30.3% in 2000 and 29.2% in 1997.

While almost 60% of the students knew that sales tax "makes things more expensive to buy," nearly one quarter (21.2%) thought there was a national sales tax percentage of 5 ½%. Seventeen percent thought the federal government will deduct it from paychecks and 3.7% thought the tax didn't have to be paid in cases where income was very low.

Almost two thirds (65%) of the students said they felt either "very sure" (18.4%) or "somewhat sure" (46.6%) about their ability to manage their own finances. The remaining one third said they were either "not too sure" (24.6%) or "not sure at all" (10.5%).

The Jump\$tart survey, conducted this past December, January and February consisted of a written 45-minute examination administered to 4,024 12th graders in 183 schools across the U.S.

West Virginia's Jump\$tart is affiliated with the Jump\$tart Coalition for Personal Financial Literacy, a non-profit organization whose 140 partners include federal agencies, universities, associations and sponsors of education programs. The coalition's goal is to ensure that students have skills to be financially competent upon graduation from high school. National Jump\$tart, founded in 1977 and based in Washington, D. C., now has state coalitions supporting its efforts in about half of the states.

A copy of the survey questionnaire is posted on the coalition's Web site at www.jumpstart.org in the "downloads" section. Reporters may contact Ms. Duguay at (202)466-8610 and Mr. Mandell at (716)835-4949.

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